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Emerging Market Queries in Finance and Business

Sales management strategies implemented by the international financial groups

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Abstract

Our study deals with the new organizational structures of financial groups, focusing on sales management, organized on corporate and retail business lines. We also try to highlight the importance of ranking the services offered by financial institutions according to customer consultancy complexity and we analyze sales channels focusing on the branch model and the financial holding model, as forms of organization in the international banking companies that offer a complete line of financial services.

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Keywords: sales management, financial group, financial services, ranking, branch offices model, financial holding companies model

1. Introduction

Strategic management can be defined as a bundle of decisions and acts that a manager undertakes and that decide the result of the company's performance. The managers must have a thorough knowledge of the general and competitive organizational environment in order to take the correct decisions by making best possible utilization of strengths, minimizing the weaknesses, making use of arising opportunities from the business environment and not ignoring the threats. Therefore strategic management is a way in which strategists set the

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objectives and proceed about attaining them. It deals with making and implementing decisions about future direction of an organization and it helps us to identify the direction in which an organization is moving.In recent years, banks have taken a series of measures to boost sales management across all subordinated business lines. The management teams had to make every effort to achieve a high level of profitability in order to allow further development of the bank, the relationship between debtors, creditors, profits and sales being crucial. Taken separately, each can mean something, but together they indicate how the bank interacts with the market on a short, medium or long term.

The challenge of offering high quality customer services while reducing the costs associated with the sales process, presents a significant challenge for financial institutions. Not only must they maintain a visible presence of the branches in the territory which is at the same time an expensive activity, but also banks must assess particular attention to projects that lead to improved efficiency, profitability, as well as customer interaction. Also, all the operationsneed to be performed within the parameters of an adequate risk level.

2. Literature review

First of all we consider useful to classify the study we developed in this article by providing an overview of other studies in the specialized literature, pointed at various aspects regarding the dynamics of the management strategies in the last few years. Such a review enables an interdisciplinary anchoring, starting from the analysis of the current state of knowledge and the issues raised by the results documented by the considered studies.

We start by mentioning an empirical study, focusing on the Turkish banking sector (Merve, 2011) that highlights *mergers and acquisitions* as growth and expansion management strategies, that are used by companies to increase profits, sales and market share by entering new markets, operating with economies of scale and coping with resulting management problems. This reminds us of the second major stage in the Romanian banking reform which brought late privatization (extending beyond the year 2000) and an important number of mergers and acquisitions for the local banking market, when this strategy was widely in use in our country as well. Therefore this can be considered a strategy especially useful in crisis and change environments. In relation to the 2007-2009 financial crisis a series of authors (Bedendo and Bruno, 2012) follow the debate on the importance of *risk transfer* during the crisis and its effects on loan sales, securitization and credit derivatives. They mainly state that in time of crisis, the need to raise financial resources becomes the main incentive behind risk transfer, the funds released by this management strategy being subsequently invested by banks into sustaining credit supply, which makes it an indirect sales strategy.

Another idea worth being mentioned is the one stating that in recent years the operations and services of the banking industry have become more diverse and unstructured, rendering most of the traditional operations management techniques less effective in improving the industry's performance. Therefore by integrating the theories of banking operations, service quality, leadership style and team work, the authors of an empirical study analyzing 15 retail banks in China (Lee, Cheng, Yeung and Lai, 2011), argue that *performance in leadership and team work* have become essential management strategies able to determine the quality of services in general and of sales in particular and therefore the performance of banking operations.

However, most of the studies analyzing efficiency in multinational banks totally ignore the environmental factors. Therefore the results of these studies are a combination of real managerial inefficiencies and the impact of *specific environmental factors* which are not properly controlled in the analysis. The study conducted by Halkos and Tzeremes (2011) in 43 different countries and 282 multinational banks indicates that there is a cultural pattern that has a positive effect on a bank's performance and that created the ideal environment for the banking activity: lower masculine, uncertainty avoidance, power distance values and moderate individualistic values. This suggests that every management strategy should be individualized, taking into account the situation of every particular environment. From the perspective of the environment's impact on strategies we appreciate the contribution of Oh and Rugman (2012) analyzing the perspective of *regional versus global sales* *and production*. Their study reveals that 60% of the largest European companies pursue a regional integration strategy, producing and selling on a regional level in accordance to the local needs. The others choose to make different combinations: regional production with global sales, global sales with regional production or a pure global integration.We should also mention the research of Piercy, Low and Cravens (2011) presenting a global perspective on *sales organization effectiveness* and therefore sales management strategy. They analyze sales organization effectiveness in four steps (sales unit design, salesperson turnover, organizational commitment and performance of salespeople) and seven countries, mentioning the importance of cultural dimensions and political stability in establishing sales management strategies.

3. Methodology

The focus of this study is the banking industry and its approaches towards handling sales management strategies in accordance to the environmental changes and to the cultural specificity of each market. We focused mainly on secondary data and analyzed the field's literature trying to observe how different strategiesaffectthe selling processesin banking companies and to decide what the future directions of this industry are.

4. Organizational structures and strategies regarding sales management implemented internationally

In current market conditions, characterized by fierce competition, most banks have oriented themselves from the classicbranch networkingtowards alternative channels of selling products and services. Many banks have developed from services provided exclusively by the bank's employees towards business models that offer complete services into the electronic environment. The purpose of this change is to increase efficiency while retaining a high level of customer interaction. Even if in the centre of the bank sales management, the branch network occupies the most important achievement channel, the way bank sales are managed has changed significantly. Electronic channels, machines that customers can use to serve themselves without having to wait at the counter, have significantly improved the finality of the sales process, by providing in a much-reduced period of time the products and services required by customers, while reducing costs of the bank's sales.

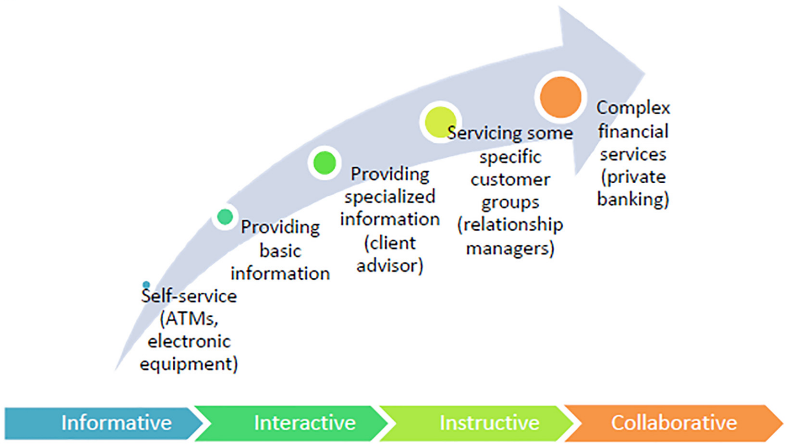

Fig.1. Hierarchy of services provided by financial institutions according to the complexity of advice given to customers
Source: processed from Mercator Advisory Group – 2012

Given that each client must be approached in a different way, sales management in the banking sector should be done taking into account the interaction with each customer separately. There are four broad categories of interaction, shown in Figure 1, namely (Finnegan and Wilcocks, 2007):

- informative interaction - customer self-service through ATMs and electronic equipment available to them;
- interactive interaction - staff at the counter providing basic information to clients;
- instructive interaction - client advisors providing specialized information;
- collaborative interaction - the situation when relationship managers are servicing some specific customer groups (especially for corporate clients) involving a long-term cooperation and the monitoring of the clients' businesses, respectively when it comes to providing complex financial services such as private banking.

In decisions regarding the sales of products and services, banks must take into account both the customer degree of satisfaction as well as the associated costs of the sale. Financial institutions can appeal to a wide range of channels depending on the target group. Among the banks that operate internationally, sales channels must be very carefully defined in order to cover a wide range of customer needs. They focus mainly on the following categories, presented in Figure 2:branches, agencies, subsidiaries, head offices, "Joint Venture" partnerships, Shell Branches, branches specialized in export financing, international banking facilities.

Subsidiaries arise when an international bank acquires majority in a foreign bank and the foreign bank will be called subsidiary of the parent bank. They are used instead of local branch network especially in countries with stricter laws and tougher taxes.Representations generally do not offer traditional banking services, being more like a support for parent banks to identify new customers or to mediate the selling between them and certain groups of customers.

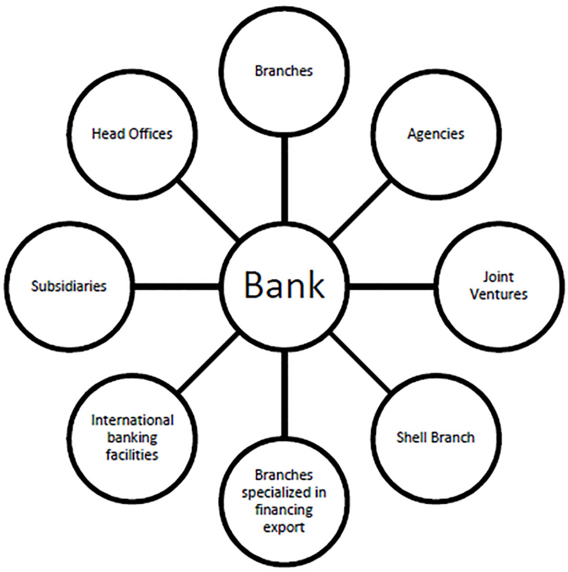

Fig. 2.Facilities offered by international banking organizations
Source: processed from Rose and Hudgins - 2008

The branch network is the most important form of organization in international banking companies, generally offering a complete line of banking services.Agencies do not offer a full range of services as branches do, focusing mainly on traditional banking in order to attract deposits and to offer loans.

Partnerships such as "Joint Ventures" are typically jointly owned by a bank holding company and a foreign bank coming from a different country from the one where the capital origins from. It is used especially if a bank wants to enter a foreign market and does not have sufficient knowledge, especially when it comes to developing countries. The bank holding can use the foreign bank's customer database, more so since it has a strong brand in the local market. Branches that are known as "Shell Branches" are represented by offshore office, which record revenue from various transactions and benefit from more relaxed tax regulations.Branches that are specialized in financing exports are commercial export companies, providing services in financing trade, exports, insurance services, overseas market research as well as other useful services for export companies abroad.

International banking facilities reflect transactions made on behalf of international clients. They provide deposit institutions with the possibility of providing services to non-residents to be taxed under the laws in force in the origin country of the depositors. As banks grow internationally, in some countries they decide to form their own branch network, especially if they want to quickly impose themselves on that specific foreign market. Through the network of branches they are offering the full range of banking products and services designed to meet the needs of the local market in question. Typically, a first headquarters is established and subsequently a territorial expansion of the branch network will occur. Simultaneously they are providing the necessary support, represented by both human front-office personnel as well as material support (Figure 3). The material support is particularly useful to customers who need a more efficient banking relationship by avoiding trips to the bank's headquarters to conduct banking operations. Whether it is internet banking, home banking or mobile banking through these electronic facilities the banks offer their customer the opportunity to perform banking transactions and obtain bank information directly from its premises, in real time, with immediate impact on the client's account balances.

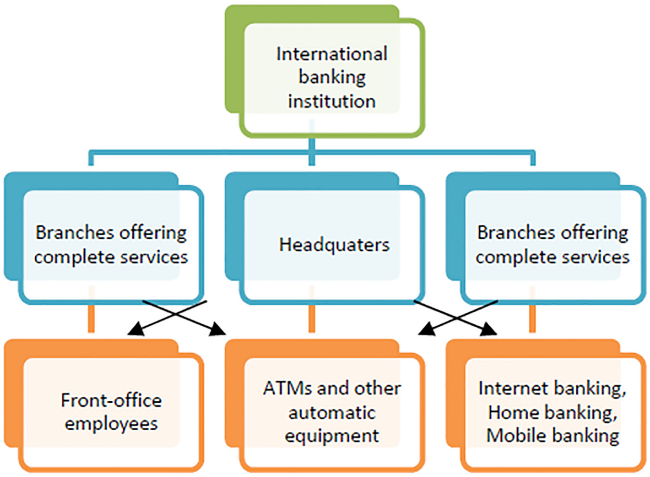

Fig. 3.Sales development through an international branch network
Source: processed from Rose and Hudgins -2008

From headquarters to branches and subsidiaries, from traditional services via the internet or mobile banking, the natural evolution of things directed the banking system towards the development, first of all in the U.S., of bank holding companies. Holdings occurred in the banking industry at a time when it was the most regulated sector of the economy, being a unique form of banking system regulation through which a company owns or controls a bank or more, but its activity is not restricted to this field (Figure 4). Basically, the term holding company is used to refer to the entity that holds shares in other entities,it's main business activitybeing to manage and control them (Rigby and Ledingham, 2004).

Transforming banks in bank holding companies has been achieved over time because this system of organization enhances the company's ability to obtain capital. A holding company can borrow money more easily, it can buy other banks or non-banking companies, it can issue shares and then it can redeem them from the market more easily. Through this method of activity organization, banks can coordinate their high risk activities within the holding company or in other of its non-banking subsidiaries, keeping the bank's activities within a moderate risk level.

In terms of holding efficiency, diversification of products and markets allow banks to reduce specific risks by holding a wider variety of assets. However, risk reduction is not sufficient reason for diversification, as long as the shareholders can simply diversify their portfolio by holding shares in several banks, without having to incur the costs of managing a holding organization. Therefore, diversification is beneficial only ifitmanages to produce scope economies that can be internal (related to cost) through joint production and marketing, the sharing of technology and databases, or external (related to income) if the holding fails to provide full service packages for the benefit's consumer. (Klein and Saidenberg, 2010)

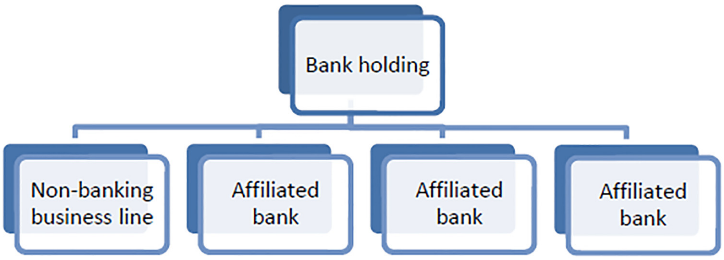

Fig. 4.Organizing of a bank holding
Source: processed from Rose and Hudgins – 2008

The trend of horizontal development popular within bank holding companies, which occurred over time, led to the legal regulation of another type of company called financial holding. These are companies that offer the consumers a wide range of financial services including traditional banking services, insurance, investment and advisory services, leasing, real estate, asset management, etc (Figure 5). The main advantage of financial holdings is the fact that their subsidiary companies can share their databases and customer information without them having to give consent each time. This way, through cooperation and collaboration, companies which areare part of the holding canjointly develop their financial products and use cross-selling practices as excellent techniques to increase sales and profits in a highly effective and inexpensive way.

Figure 5.International bank organized according to the financial holding model
Source: author's processing

Since the development of customer relationship is intended to be a long term one, banks should take into account the following considerations in setting policies and strategies for sales management (Liu, 2007):

- the general state of the economic environment;
- the financial situation of certain countries and markets where the bank is linked by the activity it performs;
- the competition;
- the impact of applying certain legal provisions;
- accounting practices of the various jurisdictions where they operate;
- the situation of credited clients;
- the situation of the economic sectorswhere it directs its resources.

5. Conclusion

The increase in the number of banks all over the world has seen an equal increase in the number of banking products offered by the various industry players. Different products come with different target clients and therefore they ask for different sales strategies. The economic environment in the last few years also lead to the need for more standardized products and services in the banking industry and a massive effort has been made to resolve bad debt and reduce loan loss provisions. Many of these efforts have helped banks improve their profitability, but have done nothing good with respect to their reputation in the minds of their clients. To compensate, banks are now trying to improve services as a way to recapture the public's trust. This is not a new strategy, but there are new emergent forcesfocusing the industry's attention towardsimproved services.In order to meet their broad profitability goals and objectives but also to adapt to change, banks adopted different management strategies most of them focused towards sales and customer service.

Regardless of the type of organizational structure adopted by the banking and financial institution, a sales strategy that needs to be given extra attention,involves differentiating sales activities according to each business line, product and environment. Depending on the specifics of each bank's business line, the steps to improve sales is a complex process therefore the role of sales management in banking increasingly emphasis the optimal allocation of resources in the core businesses in order to generate the largest possible cash flows. Individual management within each business line is a useful tool in this process, as it provides a detailed understanding of sales and how they interact with specific banking products and services.

The evolution from local banks to international financial holding meant, besides a strong deregulation of this sector, the evolution from a bank-centred process to one in which non-banking companies play an increasingly important role which means a change in the selling processes as well. The crisis of recent years has put an unprecedented pressure on the banking sector and even if there were other crises in the past, some of them worse, none met the extremely complex relationship environment, developed by the banking and financial institutions internationally, framework which was favourable to the extending of the 2008 crisis impact on the entire global economic system. The financial crisis has shown that large, complex and interconnected financial institutions can generate disproportionate risk in financial stability, which revealed the need for increased regulation of the banking sector. One of the main regulation instruments is the separation of sector's the basic activities from the corporate and investment activities which are riskier and much more complex.

Although our study is obviously lacking a case study, we do consider this area as being an extremely relevant research topic for the banking industry and we believe that the balanced mix of delivery platforms, combining in-branch sales and services with electronic banking and mobile sales, should be furthermore analysed. However, since all banks are pursuing similar strategies, the do consider that the only real competitive advantages are the bank's stakeholders, therefore the ability of branch managers to change their ways and of the employees to approach their work differently. Also we conclude that are three main business strategies to guide the development of a sales culture: clearly identifying the relationship between key bank functions, developing an integrated customer information system at the branch level and providing exceptional front-line service in all branches.

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